

ECONOMIC IMPACTS OF THE MILITARY BASES IN WASHINGTON

July 2004

Ft Lewis and McChord AFB in Pierce County

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Pierce County is home to Fort Lewis and adjoining McChord Air Force Base. These two bases are an important component of the United States' capacity to quickly respond to military situations around the world. Their substantial employment levels, payrolls, and other economic impacts also constitute approximately 30 percent of all economic activity in Pierce County.

Direct Impacts

The direct impacts of the two bases include employment, payrolls, retiree pension, payments to private health care providers, and purchases of goods and services from local vendors. These impacts are shown in Table 1. On-base employment of over 34,600 constitutes 14% of total employment in Pierce County. The annual payroll earned by these civilian and military workers is \$1.876 billion, nearly 20 percent of countywide labor earnings. The Army operates Madigan Hospital in Pierce County; this is a major medical facility and a teaching hospital affiliated with the University of Washington. However, the services offered at Madigan are supplemented with \$31.1 million of health care services purchased from private providers. Military retiree pensions are administered through the bases, and many retirees live in counties near the base administering their pension so that they can take advantage of on-base services such as overseas travel or access to commissaries. Pensions administered at Ft. Lewis and McChord AFB sum to \$524.9 million annually. Contracts let by these two installations for a variety of goods, services, and on-base construction total \$52.1 million statewide, of which \$25.2 million is supplied by vendors located in Pierce County. Active duty personnel, military retirees, and their spouses and dependents are eligible to use the on-base retail facilities provided by commissaries and base exchanges. Spending at these facilities does not impact the state economy in any way unless the goods are provided by in-state vendors (captured in the contracts data). Therefore, the payroll and pension amounts are reduced by the \$200.9 million spent at the commissaries and base exchanges in Pierce County to calculate net direct impact as shown in Table 1. This net direct impact sums to \$2.2312 billion.

1 – Direct Impacts of Major Military Bases in Pierce County, 2003

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|---------------------------------------|------------------|
| Employment, uniformed and civilian | 34,624 |
| Payroll | \$1.876 billion |
| Military retiree pensions | \$524.9 million |
| TriCare payments to private providers | \$31.1 million |
| Contracts for goods and services | |
| Pierce County vendors | \$25.2 million |
| Statewide | \$52.1 million |
| On-base retail spending | \$200.9 million |
| Net direct impact* | \$2.2312 billion |

* Reduced by on-base retail spending

In addition, the federal government compensates school districts for schooling the dependents of federal employees including service personnel. School districts in Pierce County receive \$11 million annually in impact aid for schooling of the dependents of military personnel.

Multiplier Impacts

When military related payrolls get spent within the county or state, and when the base lets contracts to businesses in the county or state, these expenditures have multiplier or indirect impacts that generate additional economic activity. These multiplier impacts are estimated using a new input-output model just released by the Office of Financial Management, resulting in total impact estimates (the sum of direct impacts and the multiplier impact). The two major bases in Pierce County directly and indirectly account for over 74,000 jobs in Pierce County and over 87,000 statewide. The total impacts in terms of labor earnings sum to nearly \$2.9 billion within Pierce County (about 30 percent of wage disbursements in this county) and nearly \$3.4 billion statewide.

2 – Total Impacts of the Major Bases in Pierce County

| | |
|---------------------------------|-----------------|
| Employment in Pierce County | 74,466 |
| Statewide employment | 87,534 |
| Labor earnings in Pierce County | \$2.867 billion |
| Statewide labor earnings | \$3.370 billion |